

## Message Text

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PAGE 01 STATE 067377  
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 PA-01 L-03 H-01 SSO-00  
INRE-00 NSCE-00 USIE-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 INR-10 INT-05 LAB-04  
NSAE-00 CTME-00 AID-05 SS-15 STR-07 ITC-01  
TRSE-00 SP-02 SOE-02 OMB-01 DOE-11 /093 R

DRAFTED BY EB/ITP/EWT:HLCLARKE:DLM  
APPROVED BY EUR:WHLUERS  
PA:JTRATTNER  
L/EUR:JCROOK  
EUR/EE:TGERTH  
EUR/EE:CSCHMIDT  
H:PSTAHNKE

-----000655 160257Z /75

O 160141Z MAR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BUDAPEST IMMEDIATE

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E.O. 11652:N/A

TAGS: EEWT, HU

SUBJ: PRESS ANNOUNCEMENT AND GUIDANCE ON SIGNING OF  
TRADE AGREEMENT

REF: LINTON/CROOK TELECON

1. PLEASE INFORM HUNGARIAN GOVERNMENT THAT WE PLAN TO  
MAKE A SIMPLE ANNOUNCEMENT OF THE SIGNING AT NOON BRIEFING  
ON FRIDAY (MARCH 17) ALONG FOLLOWING LINES: BEGIN TEXT.  
YOU WILL RECALL OUR RECENT (MARCH 7) PRESS RELEASE, REPORT-  
ING THAT THE UNITED STATES AND HUNGARY HAD INITIALLED A  
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TRADE AGREEMENT IN WASHINGTON. THIS AGREEMENT WAS SIGNED  
TODAY IN BUDAPEST BY AMBASSADOR (PHILIP) KAISER AND BY  
HUNGARIAN MINISTER FOR FOREIGN TRADE (JOZSEF) BIRO. AS YOU  
KNOW, THE AGREEMENT MUST BE APPROVED BY CONGRESS BEFORE IT  
CAN ENTER INTO EFFECT. END TEXT.

2. REVISED GUIDANCE, FOR USE IF ASKED.

Q. WHAT IS THIS AGREEMENT FOR?

A. UNDER TITLE IV OF THE TRADE ACT, THE U.S MUST CONCLUDE A TRADE AGREEMENT WITH A NONMARKET-ECONOMY COUNTRY BEFORE IT CAN EXTEND NONDISCRIMINATORY (OR MOST-FAVORED-NATION) TARIFF TREATMENT. THIS AGREEMENT PROVIDES FOR SUCH TREATMENT ON A RECIPROCAL BASIS, AND FOR BUSINESS FACILITIES,

MARKET DISRUPTION SAFEGUARDS, AND OTHER MATTERS REQUIRED BY THE TRADE ACT.

Q. WHY SHOULD WE ENTER INTO SUCH AN AGREEMENT?

A. BY REMOVING DISCRIMINATORY BARRIERS TO TRADE, HUNGARY AND THE U.S. WILL GIVE BUSINESS ENTERPRISES OF BOTH COUNTRIES AN OPPORTUNITY TO EXPAND THEIR TRADE. FOR THE UNITED STATES, THE PRINCIPAL BENEFIT WILL BE THE OPPORTUNITY FOR U.S. EXPORTERS TO COMPETE ON THE HUNGARIAN MARKET ON EQUAL TERMS WITH HUNGARY'S OTHER MAJOR TRADING PARTNERS.

Q. DO OTHER COMMUNIST COUNTRIES GET SUCH TREATMENT BY THE U.S.?

A. YES, SOME DO. POLAND AND YUGOSLAVIA HAVE HAD NONDISCRIMINATORY (MFN) TARIFF TREATMENT FOR MANY YEARS. THE U.S. ENTERED INTO A TRADE AGREEMENT WITH ROMANIA IN 1975 LIMITED OFFICIAL USE

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TO PROVIDE SUCH TREATMENT.

Q. IS THIS AGREEMENT IDENTICAL TO THE AGREEMENT REACHED WITH ROMANIA?

A. NO. THERE ARE SIMILARITIES BECAUSE BOTH AGREEMENTS MUST MEET ALL THE REQUIREMENTS OF THE TRADE ACT. HOWEVER, THERE ARE DIFFERENCES BETWEEN OUR TRADING RELATIONS WITH HUNGARY AND ROMANIA AND THESE HAVE BEEN TAKEN INTO ACCOUNT.

Q. DOES THE U.S. INTEND TO NEGOTIATE SIMILAR AGREEMENTS WITH THE SOVIET UNION OR OTHER EASTERN EUROPEAN COUNTRIES THAT DO NOT NOW HAVE MFN TREATMENT?

A. AT THE PRESENT TIME, THERE ARE NO DISCUSSIONS UNDER WAY WITH OTHER COUNTRIES. NO OTHER COUNTRY HAS INDICATED INTEREST IN NEGOTIATING UNDER THE TERMS OF THE TRADE ACT. (IF NECESSARY: A TRADE AGREEMENT WAS NEGOTIATED WITH THE SOVIET UNION IN 1972, BUT HAS NEVER BEEN PUT INTO EFFECT.)

Q. DOESN'T THIS AGREEMENT PROVE THAT THE JACKSON-VANIK

AMENDMENT (ON EMIGRATION) WORKS?

A. OUR CONCERN IN NEGOTIATING THIS AGREEMENT HAS BEEN TO IMPLEMENT THE LAW AS IT STANDS.

Q. WHEN CAN WE OBTAIN THE AGREEMENT TEXT?

A. COPIES ARE AVAILABLE IN THE PRESS OFFICE.

Q. WHAT IS THE CURRENT LEVEL OF U.S. TRADE WITH HUNGARY?

A. IN 1977 U.S. EXPORTS TO HUNGARY WERE WORTH 80 MILLION DOLLARS, AND HUNGARY'S EXPORTS TO THE U.S. WERE VALUED AT 47 MILLION DOLLARS.

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Q. WHEN IS CONGRESS LIKELY TO ACT ON THE AGREEMENT?

A. WE WILL ASK THE PRESIDENT TO FORWARD THE AGREEMENT AND RELATED DOCUMENTS TO CONGRESS WITHIN A FEW DAYS. UNDER THE TERMS OF THE TRADE ACT, CONGRESS HAS A TOTAL OF 60 LEGISLATIVE DAYS TO VOTE ON THE AGREEMENT.

Q. DOESN'T HUNGARY HAVE TO GIVE ASSURANCES ON EMIGRATION?

A. YES. SECTION 402 OF THE TRADE ACT (POPULARLY KNOWN AS THE JACKSON-VANIK AMENDMENT) REQUIRES THAT THE PRESIDENT REPORT TO CONGRESS THAT HE HAS RECEIVED ASSURANCES REGARDING THE FUTURE EMIGRATION PRACTICE OF THE COUNTRY IN QUESTION.

Q. WHAT ASSURANCES HAS HUNGARY GIVEN?

A. THIS MATTER AS BEEN WORKED OUT IN DETAILED CONVERSATIONS BETWEEN U.S. AND HUNGARIAN OFFICIALS. THIS WILL BE ADDRESSED BY THE PRESIDENT IN HIS FUTURE COMMUNICATION WITH THE CONGRESS ON THIS SUBJECT.

Q. WHAT IS THE LINKAGE BETWEEN THE RETURN OF THE CROWN AND MFN (OR EMIGRATION ASSURANCES)?

A. THESE TWO ISSUES ARE IN NO WAY LINKED. VANCE

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ORIGIN EUR-03

INFO OCT-01 ISO-00 /004 R

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DRAFTED BY EUR/RPE:JAPOLANSKY/MB

APPROVED BY EUR/RPE:WHDAMERON

EUR/EE:GBOUTIN

-----095168 230140Z /64

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FOL RPT STATE 067377 ACTION BUDAPEST 16 MAR 78 QUOTE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TREATY SIGNATURE, TRADE AGREEMENTS, PRESS RELEASES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1978STATE067377  
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**Document Unique ID:** 00  
**Drafter:** HLCLARKE:DLM  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Withdrawn Fields:** n/a  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRESS ANNOUNCEMENT AND GUIDANCE ON SIGNING OF TRADE AGREEMENT  
**TAGS:** EEW, SOPN, HU, US  
**To:** BUDAPEST  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014